

**NORTHWEST IOWA ALCOHOLISM AND  
DRUG TREATMENT UNIT, INC.**  
INDEPENDENT AUDITORS' REPORTS,  
FINANCIAL STATEMENTS, AND  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED  
JUNE 30, 2006

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.

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NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
OFFICIALS  
JUNE 30, 2006

EXECUTIVE DIRECTOR ..... JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2007)

Officers:

President .....	Tom Farnsworth
Vice-President .....	Mark Sybesma
Secretary-Treasurer .....	Del Brockshus

Delegates:

Buena Vista County .....	Herb Crampton Bill Lanphere
Clay County .....	Del Brockshus Bill Zinn
Dickinson County .....	Greg Baloun George Morris
Emmet County .....	Roger Anderson Alan Madden
Kossuth County .....	Jack Plathe
Lyon County .....	Mark Behrens Craig Block
O'Brien County .....	Tom Farnsworth Jake Moermond
Osceola County .....	Bill Imhoff Daryl Streng
Palo Alto County .....	Ron Graettinger
Sioux County .....	Loren Bouma Mark Sybesma

**WINTHER, STAVE & Co., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northwest Iowa Alcoholism and  
Drug Treatment Unit, Inc.  
Spencer, IA 51301

We have audited the accompanying statement of financial position of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of ADTU's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ADTU's June 30, 2005 financial statements; and in our report dated September 30, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2006 on our consideration of ADTU's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Winther, Stone & Co LLP

October 9, 2006

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash (Notes 1 and 6) .....	\$469,368	\$500,710
Accounts receivable - net (Notes 1 and 2) .....	113,036	63,534
Prepaid expenses .....	<u>31,327</u>	<u>33,151</u>
TOTAL CURRENT ASSETS	<u>613,731</u>	<u>597,395</u>
PROPERTY AND EQUIPMENT (Note 1):		
Office equipment .....	191,667	188,439
Video system and equipment .....	158,997	156,889
Leasehold improvements .....	<u>67,742</u>	<u>67,742</u>
TOTAL PROPERTY AND EQUIPMENT	418,406	413,070
Less accumulated depreciation .....	<u>(400,247)</u>	<u>(387,244)</u>
PROPERTY AND EQUIPMENT - NET	<u>18,159</u>	<u>25,826</u>
OTHER ASSETS:		
Non-marketable security (Note 3) .....	<u>39,214</u>	<u>39,214</u>
TOTAL ASSETS	<u>\$671,104</u>	<u>\$662,435</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable .....	\$ 12,242	\$ 7,480
Accrued vacation pay (Note 1) .....	30,730	35,746
Accrued unemployment claims (Note 1) .....	<u>16,193</u>	<u>16,193</u>
TOTAL CURRENT LIABILITIES	<u>59,165</u>	<u>59,419</u>
NET ASSETS:		
Unrestricted (Note 1) .....	590,856	570,529
Temporarily restricted (Note 1) .....	<u>21,083</u>	<u>32,487</u>
TOTAL NET ASSETS	<u>611,939</u>	<u>603,016</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$671,104</u>	<u>\$662,435</u>

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract .....	\$ 645,300	\$ 655,328
Comprehensive prevention contract .....	155,253	157,694
Other contracts .....	247,229	235,826
Counties .....	111,798	109,636
Cities .....	7,642	7,305
Donations .....	575	815
Client fees .....	512,063	524,420
Other fees .....	55,073	59,374
Interest .....	18,786	12,069
Other .....	22,249	26,238
TOTAL PUBLIC SUPPORT AND REVENUES	<u>1,775,968</u>	<u>1,788,705</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>11,404</u>	<u>9,568</u>
EXPENSES:		
Program services .....	1,432,417	1,421,573
Support services .....	334,628	314,424
TOTAL EXPENSES	<u>1,767,045</u>	<u>1,735,997</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>20,327</u>	<u>62,276</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions .....	<u>(11,404)</u>	<u>(9,568)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(11,404)</u>	<u>(9,568)</u>
NET ASSETS - BEGINNING OF YEAR .....	<u>603,016</u>	<u>550,308</u>
NET ASSETS - END OF YEAR	<u>\$ 611,939</u>	<u>\$ 603,016</u>

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	2006			2005
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages .....	\$ 786,732	\$194,019	\$ 980,751	\$ 984,515
Fringe benefits and payroll taxes .....	<u>272,329</u>	<u>77,232</u>	<u>349,561</u>	<u>321,063</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,059,061	271,251	1,330,312	1,305,578
Auditing and legal services .....		8,801	8,801	8,016
Bad debts .....	18,000		18,000	24,000
Contract services .....	83,730		83,730	66,147
Insurance .....	12,163	4,867	17,030	17,232
Medical services .....	4,800		4,800	4,800
Miscellaneous .....	10,654	2,741	13,395	11,644
Rent .....	85,892	13,906	99,798	96,694
Repairs and maintenance .....	31,693	6,937	38,630	37,069
Special projects .....	24,643		24,643	25,723
Staff training and education .....	10,552	7,723	18,275	15,401
Supplies .....	28,026	5,391	33,417	39,467
Telephone .....	17,845	3,231	21,076	21,090
Travel .....	28,479	4,920	33,399	32,269
Utilities .....	<u>8,210</u>	<u>526</u>	<u>8,736</u>	<u>7,545</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,423,748	330,294	1,754,042	1,712,675
Depreciation .....	<u>8,669</u>	<u>4,334</u>	<u>13,003</u>	<u>23,322</u>
 TOTAL EXPENSES	 <u>\$1,432,417</u>	 <u>\$334,628</u>	 <u>\$1,767,045</u>	 <u>\$1,735,997</u>



NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets .....	\$ 8,923	\$ 52,708
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation .....	13,003	23,322
(Increase) decrease in current assets:		
Accounts receivable .....	(49,502)	38,016
Prepaid expenses .....	1,824	(6,538)
Increase (decrease) in current liabilities:		
Accounts payable .....	4,762	2,449
Accrued expenses .....	(5,016)	(67,760)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(26,006)</u>	<u>42,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment .....	(5,336)	(7,092)
Purchase of non-marketable security .....	<u>(5,336)</u>	<u>(6,806)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(5,336)</u>	<u>(13,898)</u>
NET INCREASE (DECREASE) IN CASH	(31,342)	28,299
CASH AT BEGINNING OF YEAR .....	<u>500,710</u>	<u>472,411</u>
CASH AT END OF YEAR	<u>\$469,368</u>	<u>\$500,710</u>

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. Revenues and expenses are recognized when earned or incurred.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ADTU and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that they be used by ADTU for specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, ADTU considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. ADTU has no investments it considers cash equivalents.

**Accounts Receivable**

ADTU charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

**Property and Equipment**

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

**Accrued Expenses**

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against ADTU related to wages paid to employees during or prior to the fiscal year end.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets result from private foundation contributions stipulating the use of the funds for certain substance abuse prevention activities. ADTU anticipates utilizing these funds for activities to be conducted in the fiscal year ending June 30, 2007.

**Functional Allocation of Expenses**

The costs of providing ADTU's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

**Income Taxes**

ADTU is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The organization is not classified as a private foundation by the Internal Revenue Service.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comparative Data**

The financial statements include certain 2005 comparative information. With respect to the Statement of Functional Expenses, 2005 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with ADTU's financial statements for the year ended June 30, 2005 from which the summarized information was derived.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Contracted services .....	\$ 81,104	\$ 56,107
Client fees .....	<u>171,228</u>	<u>130,577</u>
Total accounts receivable	252,332	186,684
Less allowance for doubtful accounts .....	<u>(139,296)</u>	<u>(123,150)</u>
Accounts Receivable - Net	<u>\$113,036</u>	<u>\$ 63,534</u>

At June 30, 2006 and 2005, client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued

**3. NONMARKETABLE SECURITY**

ADTU has acquired 120 shares of Class P common stock of Tri-State Behavioral Health Association, Inc. (Tri-State), an Iowa corporation. These shares of stock are recorded at cost. Tri-State is a management service organization jointly owned by mental health centers and independent providers, as well as St. Luke's Health Resources and Gordon Recovery Centers of Sioux City, Iowa. Tri-State provides a high-quality, geographically accessible, managed care oriented, multi-specialty provider behavioral health services network serving twenty-two counties in Northwest Iowa.

**4. OPERATING LEASES**

ADTU leases five offices at various locations under non-cancelable operating leases expiring from December 2006 through November 2008. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2007 .....	\$14,262
2008 .....	9,300
2009 .....	<u>3,875</u>
Total	<u>\$27,437</u>

Rent expenses under the above leases and monthly leases for five additional locations totaled \$99,798 and \$96,694 for the years ended June 30, 2006 and 2005, respectively.

**5. RETIREMENT PLAN**

ADTU maintains a defined-contribution retirement plan for all eligible employees with one year of service. The plan calls for ADTU to contribute 6 1/4% of each qualified employee's annual salary. Effective January 1, 2000, employees were further required to contribute 3% of their salary to the plan in order to receive the matching contribution by ADTU. Contributions under this plan totaled \$53,863 and \$54,809 for the years ended June 30, 2006 and 2005, respectively.

**6. CONCENTRATIONS OF CREDIT RISK**

ADTU maintains its cash balances in a financial institution located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits in excess of \$100,000 are covered by a bank deposit guarantee bond.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. ECONOMIC DEPENDENCY**

ADTU generates approximately 50% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, ADTU submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. ADTU has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2007 totaling \$356,842. The Iowa Plan contracts provide for equal monthly payments to ADTU, dependent upon its meeting specified unduplicated client levels and providing specified services. ADTU has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2007 totaling \$702,595.

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2007 is approximately equal to amounts received for the fiscal year ended June 30, 2006. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

**8. RISK MANAGEMENT**

ADTU is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. ADTU assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**WINTHER, STAVE & Co., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Northwest Iowa Alcoholism and  
Drug Treatment Unit, Inc.  
Spencer, IA 51301

We have audited the financial statements of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) as of and for the year ended June 30, 2006 and have issued our report thereon dated October 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financing Reporting**

In planning and performing our audit, we considered ADTU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ADTU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about ADTU's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of ADTU. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of ADTU and other parties to whom ADTU may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of ADTU during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Wintner, Steve HC LIT". The signature is written in a cursive, flowing style.

October 9, 2006

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006

**Part I: Findings Related to the Financial Statements**

Reportable Condition:

No matters were reported.

Instances of Noncompliance:

No matters were reported.

**Part II: Other Findings Related to Statutory Requirements and Other Matters**

No matters were reported.